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## **Ownership of News Media**

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# **Ownership of News Media**

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### **Abstract**

Does media ownership matter for the news that is produced? In the course of the 20<sup>th</sup> century when journalistic professionalization advanced in most Western democracies, journalistic norms were thought of as a ‘firewall’ between the management side and the journalistic side of a media company. Editors and media managers were expected to make decisions purely on professional criteria. However, recent developments, such as increasing commercialization and concentration of media markets, have let scholars to question the role of ownership in news production. Moreover, comparative research emerging in the field of journalism studies has shown that the parameters of news production differ between various countries—with ownership being one of them.

*Keywords:* ownership, news media, journalism, commercialization, private media, public media

### **Introduction**

Owning a news outlet can give owners the power to use the news produced for their own purposes. Some owners might try to intervene in news production in order to promote their own opinions and viewpoints. Alternatively, they aim for profit maximization and thus promote the production of easy-to-sell content (SEE ALSOIEJS0028). In both cases, the interests of owners are likely to contradict societal expectations regarding the role of news media in democracy (SEE ALSOIEJS0093). Although many owners do not intend to interfere in news production and provide journalistic autonomy, the question how ownership shapes news content has caused discussion among journalists, policy makers and scholars alike. Different ownership types reflect certain strategies and practices, such as staff management, budgeting, organizational principles, and attempts to influence news production. Several

modes of ownership influences can be distinguished, among them political influence and market adjustment (Benson, 2016).

Political influence on news content has been an issue in the field of journalism studies since some decades (SEE ALSO IEJS0003). In Europe, owners such as Silvio Berlusconi, Axel Springer, and Rupert Murdoch have built influential media companies in course of the 20th century. Their products were repeatedly used for the promotion of their owners interests (Hamilton, 2004). In the U.S., where journalistic professionalism had developed early (SEE ALSO IEJS0156) and helped to prevent political influence in many newsrooms, political partisanship in news content has also increased in recent years. This development is driven by the interests of media owners, such as in the case of the hyper-partisan online news outlet Breitbart. Although examples of political influence by media owners pose problems within their respective national public spheres (SEE ALSO IEJS0055), they still represent exceptions in most Western democracies. Less visible but equally powerful is the editorial influence of owners driven by profit motives.

News production is increasingly shaped by financial pressures and attempts to maximize readership as a result of growing commercialization and shrinking advertising revenues. Hamilton (2004) argued that commercially-oriented outlets tend to rely on content which is cheap to produce and easy to sell. Because soft news attracted larger audiences compared to hard news this kind of content also appeals to advertisers (SEE ALSO IEJS0229). Against this background, differences between ownership types have been highlighted with regard to public service commitment. According to Baker (1994), for instance, foundations allow for more journalistic autonomy and thus foster an orientation towards public service values among journalists.

Scholarship has dealt with the question how different ownership types shape news content and whether owners' influence impede a democratic role of news media in society

(Dunaway, 2008). Lacy and Fico (2003) state that a media outlet's news performance depends to a "significant degree on the policy of the owners" (p. 52). The literature addresses the interrelation between media ownership, media markets, and news performance. Those authors argue that media ownership types share similar organizational goals, particularly with respect to market- or public service orientation (Hanretty, 2014; Krumsvik, Skogerbø, & Storsul, 2013). Cross-national research, for example, has shown that media ownership largely explains differences in news content across countries (Hamilton, 2004; Lacy & Blanchard, 2003). National research has pointed to differences between bigger and smaller media companies, and chain-owned versus family-owned news outlets (Baker, 2002). In general, many scholars are convinced that large, private news corporations tend to pursue profit goals at the expense of news performance. Baker (2002) argued that media conglomerates are more likely than other ownership types to be driven by the main aim of profit-maximization at the expense of investments in news production and journalism.

In addition to general discussions of varying degrees of market-orientation among different types of ownership, scholars examined different media ownership types systematically. However, research on media ownership has encountered some difficulties, particularly with respect to typologies of media ownership. Different types of media outlets vary in their internal structure, hierarchies, and financial resources (Picard & van Weezel, 2008). Hence, similar news outlets may have different degrees of financial stability, journalistic autonomy, or public service commitment. These variations make it difficult to identify genuine types of media owners who share similar goals regarding news production.

In an attempt to systematize media ownership, Picard and van Weezel (2008) discussed the economic and managerial patterns of different types of ownership, including public, private, and employee ownership. In brief, those authors argue that most types of media organizations have shortcomings but overall, financially stable media organizations are

most likely to perform well with respect to the public interest. However, each type of ownership has shortcomings, which will subsequently be discussed.

According to Picard (1994) there major categories of investors for newspaper companies can be distinguished: individual investors, insiders, and institutional investors. Individual investors invest on their own; insiders are executives of media organizations who have leveraged equity; and institutional investors can be banks, pension funds, or insurances managing private funds. Those investors have the largest share of capital in stock markets. Their growing presence on media markets has raised concerns about editorial influence and investment strategies. Scholars argued that this development is accompanied by a loss of journalistic independence and control. In addition, institutional investors are less likely to be oriented towards journalist quality and the public interest (Lacy & Blanchard, 2003). Finally, external control of media companies can lead to short-term financial goals, a focus on higher equity and returns compared to independently owned outlets.

In Western countries individual ownership is among the most common forms of media ownership (Picard & van Weezel, 2008). Many individual owners are entrepreneurs who founded or inherited their companies. Similarly, entrepreneurs frequently establish new online start-ups. Those owners act either as managers or exercise control by closely monitoring hired managers. Private ownership is seen as less likely to be dominated by profit motivations as compared to, for instance, private equity firms. Recently, however, an increasing number of equity firms, often operating outside the sector, has purchased private companies (Hamilton, 2004). News outlets belonging to private equity firms are often under financial pressure because it is a very costly form of financing. Furthermore, the incentive structure of these firms can lead to unsustainable growth since manager compensations are related to future sales prices.

Individual ownership, in contrast, is likely to have a genuine interest in sustaining a public service commitment compared to publicly traded ownership. Both ownership types seek to be profitable but independent owners often have goals that compete with a profit orientation, such as investing in high quality, resource-intensive content. Individual owners are able to make more independent editorial decisions because they do not need to demonstrate constant annual growth to their stockholders. According to Picard and van Weezel (2008), individual owners are more likely to seek a sustainable strategy and try to secure audience retention because their business models are built on a single media brand. Especially local owners seem to have a social responsibility to their readers and act with a long-term view of their business. However, ownership by individuals also has shortcomings. There are several examples from various countries in which individual owners used their media products to serve personal interest in order to reinforce their personal viewpoints. Those cases previously led to efforts to enhance journalistic autonomy by separating editorial control between the business and journalistic side (SEE ALSO IEJS0079).

Family-owned media companies, a subtype of individual ownership, often have a long tradition; however, they frequently face a number of pressures. Those news outlets are dependent on the family's social values and therefore need a successor who is willing to live up to these norms. The outlets are often confronted with a lack of family members who are willing to join the management. Furthermore, family-owned news outlets often have strong ties to the local economy and political class. The attempt to avoid potential conflicts with their allies can lead to a more conservative investment and development strategy. Thus, Picard and van Weezel (2008) conclude that individual-owned organizations can also be subject to economic constraints.

Publicly traded outlets belong to large-scale enterprises that hold different branches and often earn money in different sectors. Many of these large companies have a constant

need for capital to invest and maximize their profit. The reason for these financial requirements is a growth of the media organization through acquisitions and mergers (Hamilton, 2004). Investors aim to purchase shares of the media company but also seek effective returns of their investment. Therefore, sharing ownership through traded shares can reduce the direct impact of individual owners. In theory, managers of publicly traded media companies have incentives to promote sustainable growth and stability. However, organizational logics vary across different kinds of publicly traded news outlets. Investors often pursue different interests and therefore set different goals for their media companies. In contrast to public ownership, publicly traded, shareholder-controlled media corporations are argued to be primarily oriented towards profit maximization (Hamilton, 2004). Their often diverse and diffuse groups of shareholders are united by their the profit motive (Dunaway, 2008; Hamilton, 2004). Therefore, large media corporations are assumed to offer superficial or scandalizing news content in order to attract large audiences (McManus, 1994). This assumption has been widely validated by empirical research. For example, Hamilton (2004) found fewer hard news stories in the TV program of channels owned by shareholder groups. Moreover, media organizations with several outlets often attempt to centralize or “routinize” content production to cut costs. This type of ‘outsourced’ news production is often associated with fewer journalists who are familiar with local issues. This unfamiliarity, in turn, leads to fewer community-level stories.

Dunaway (2008) showed differences between the news content offered by independently owned media outlets and that offered by publicly traded organizations. She observed that campaign coverage by shareholder-controlled media companies is more consistent with mass audience preferences. Other studies addressed differences between local and non-local ownership. These studies observed that media outlets run by local owners are more likely to cover public affairs, particularly local public affairs, because they are more connected to the local community (Yan & Napoli, 2006).



Another type of media ownership is public ownership. Public ownership is provided when media companies are owned by a country's citizens. Those companies are usually financed through license fees, public financing, and advertising revenues. In many European countries, public service broadcasting (PSB) was established in the first half of the 20<sup>th</sup> century. Those broadcasters are often led by a central council that consists of representatives from different societal groups. Moreover, they usually have mission statements defining the nature of content which should be produced. Obligations for public broadcasters include hard news, public affairs coverage, coverage of different national minorities, or education (Cushion, 2012). This public service commitment has been found to be reflected in the news content produced. Cross-national research, for example, has found that public news outlets produce more diverse content compared to private online outlets, e.g. in terms of viewpoints, geography, and political actors. Moreover, public media's standards of news production can also be observed in the audiences' knowledge and understanding of the world. Cross-national studies have shown that in countries with a well-resourced and robustly regulated public service media system (e.g., Finland and Denmark), people's knowledge of the world is higher than in public-private systems (e.g., the U.K.) and significantly higher than in dominant market-led systems such as the U.S (Curran, Iyengar, Brink-Lund, & Salovaara-Moring, 2009). However, also public service media face financial and organizational pressures. In many countries, public service media are not only supported with fees but also by advertising revenues. Therefore, they partly have to adapt to a market logic. Moreover, in some countries public media is criticized for producing content consumed only by elites. Therefore, public media organizations have to constantly legitimize their existence by balancing market and public interest demands (Humprecht & Esser, 2018).

Public news media in many countries have high audience shares among their national audiences. However, when private broadcasting channels entered national TV markets in 1980s, public TV channels were confronted with increased competition, especially regarding

entertainment programming. In this line, concerns were raised about a potential convergence of news content caused by increased competition on media market (SEE ALSO IEJS0222) of content offered to national audiences and less news programming. Public TV channels were expected to adapt their offers to those of private competitors to avoid losing their audience. However, these fears turned out to be unfounded in most cases. On the contrary, empirical studies showed that private TV channels adapted to the standards set by public outlets. This is illustrated by the example of European commercial broadcasters. These TV channels spend more time on foreign news reporting and less time on soft news compared to their counterparts in the U.S. where public broadcasting is marginalized. Similarly, different degrees of commercialization have been found to explain differences between private and public TV channels cross-nationally. In a comparison of Australia, Canada, Columbia, India, Italy, Japan, Greece, Norway, South Korea, United Kingdom, and the United States private media have been found to be more likely to be driven by profit motives compared to public media (Aalberg et al., 2013). The study showed that in most countries, except for South Korea, Italy, and Japan, public TV channels produce higher numbers of international and foreign news items than their private competitors. Moreover, private broadcasters were more likely to devote their international coverage to soft news topics.

In sum, scholarship has shown constant and substantial differences between different types of media ownership. Media outlets that share distinct institutional logics (market, public service, civic, etc.) are likely to act in ways consistent with their norms and values. Commercially oriented media outlets differ from public outlets, non-profit organizations, and foundations, in their level of public service commitment as well as in their degree and type of political influence. According to Cushion (2012), the production of news with a 'democratic value' implies an orientation toward professional standards and the public interest. This orientation is not only present in public news organizations. However, a strong market-orientation has been found to contradict a public service commitment. Moreover, there is

empirical evidence that publicly traded media corporations are more prone to profit pressures than private media owned by individuals. Therefore, public service commitment is likely to be less important within those organizations. Private media are likely to invest in journalism that serves the public interest when it is in line with the goal of market adjustment. Some online start-ups were founded in order to provide an alternative to established media. Those news outlets aimed to fill in a niche, for example by providing investigative journalism. However, in some cases quality demands had to be adjusted to market demands because of limited reach or willingness of readers to pay for news content.

It has to be acknowledged that most results regarding differences between media ownership types stem from analyses of Western media systems. Therefore, they cannot be generalized. In one of the few exceptions, a study by Hanretty (2014), 32 countries in transition were analyzed. The findings showed that higher levels of ownership concentration were associated with higher levels of owner influence over media outlets. Furthermore, in transitioning countries owner influence was greater when voting power within a company was concentrated in the hands of individuals and families instead of companies.

Ownerships' shaping power is not only limited by the market but also by their environments. McChesney (2013) argued that resources are a "necessary precondition for sufficient democratic journalism" but cannot guarantee high news performance (p. 211). Commercial media outlets can differ across countries because they are embedded in certain social, political and regulatory systems. In some countries, private media are supported through subsidies and are therefore better insulated from market pressures. In other countries, media markets are barely regulated. Strong concentration makes it difficult especially for small media outlets to maintain high quality in news production. Moreover, professional norms are closely tied to journalistic cultures. Therefore, new entrants into a media market may find themselves pressured to adapt to the existing journalistic norms.

In order to answer the question how media ownership matters more research is needed examining a wider diversity of media systems and using a more fine-grained typology of media ownership types. To further empirically validate differences between ownership types and to explore the interplay between organizational characteristics and ownership power, a combination of qualitative in-depth analyses and quantitative macro-level studies is needed, especially in cross-national perspective.

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**Further reading**

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**See also**

IEJS0003

IEJS0028

IEJS0055

IEJS0079

IEJS0093

IEJS0156

IEJS0222

IEJS0229

**Brief Author Biography**

Edda Humprecht is a senior research and teaching associate in the Department of Communication and Media Research at the University of Zurich, Switzerland. Her research focuses on journalistic news production, political online communication, and characteristics of media systems. Her recent work in these areas has been published in the *Journal of Communication*, the *International Journal of Press/Politics*, the *European Journal of Communication*, *Journalism*, and *Journalism Studies*. She is author of the book *Shaping Online News Performance – Political News in Six Western Democracies*